



# Economic Affairs Interim Committee

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## 58th Montana Legislature

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PATRICIA MURDO, Research Analyst  
BART CAMPBELL, Staff Attorney  
EDDYE MCCLURE, Staff Attorney  
DAWN FIELD, Secretary

October 22, 2003

**To:** Economic Affairs Committee

**From:** Pat Murdo, Committee Staff

**Re:** Fund for displaced workers related to Canadian Softwood Lumber/WTO/NAFTA dispute

**Background** -- I spoke with Julie Altemus of the Montana Logging Association and Scott Schotwell of the Coalition for Fair Lumber Practices in Washington DC and also reviewed the May 2002 decision by the U.S. International Trade Commission regarding its findings that the U.S. lumber industry "is threatened with material injury by reason of imports of softwood lumber from Canada that are subsidized by the Government of Canada and sold in the United States at less than fair value." Here are combined comments:

**Status of Displaced "Duty Deposits" Fund** -- This fund, now valued at \$1.6 billion, receives money from a duty placed on imports of Canadian softwood lumber. The Canadian government filed suit, contending that the basis for the countervailing and antidumping petitions filed by the United States on Canadian lumber imports into the United States -- is inappropriate under trade rules governing the World Trade Organization and the North American Free Trade Agreement. The WTO and NAFTA both have ruled that the Canadians subsidize their lumber industry and that the Canadian lumber industry is "dumping" lumber products on the U.S. market. The findings mean that at least some of the fund is likely to be distributed to the original petitioners -- 241 cases who agreed to support a filing against the Canadian lumber industry. The distribution decision depends on 1) whether the U.S. and Canadian governments can negotiate a settlement that determines how much harm has been done to the U.S. lumber industry or 2) all final appeals have been decided. Mr. Schotwell of the Coalition for Fair Lumber Practices says a negotiated settlement could happen in three to six months. Final appeals could take as many as four years.

**Who gets the money?** -- Eligibility is limited to 241 original petitioners, including members of associations who may have petitioned against the Canadian lumber imports. If Montana lumber mills individually or through an association were among the 241 cases, they would be eligible, provided they also supported the action. No money is expected before 2004. The amount of money may be decreased if the U.S. government negotiates a settlement that includes return of some of the fund to the Canadian government. Or a court could decide how to disburse the fund.

**What can the Economic Affairs Committee do?** -- Mr. Schotwell says the Committee could write a



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letter to Donald Evans, Secretary of Commerce, encouraging the U.S. government to negotiate full offsets of the Canadian subsidies and dumping in the negotiations or litigation regarding unfair Canadian softwood lumber imports.